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**Christina Ghaly, M.D.**  
Deputy Director, Strategic Planning

313 N. Figueroa Street, Suite 912  
Los Angeles, CA 90012

Tel: (213)240-8101  
Fax: (213) 481-0503

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August 28, 2012

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF DELEGATED AUTHORITY TO THE  
DEPARTMENTS OF HEALTH SERVICES AND PUBLIC SOCIAL SERVICES  
TO SEEK APPROVAL OF A RATE INCREASE FOR THE IN-HOME  
SUPPORTIVE SERVICES WORKERS HEALTH BENEFIT PROGRAM AND  
TO EXECUTE VARIOUS RELATED AGREEMENTS AND AMENDMENTS  
(ALL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Request delegated authority to the Directors of the Department of Health Services (DHS) and the Department of Public Social Services (DPSS) to execute agreements and/or amendments with the Personal Assistance Services Council (PASC), and L.A. Care Health Plan (L.A. Care) as necessary to implement an increase to the capitation rate paid to L.A. Care for providing or arranging for the provision of health care services to eligible In-Home Supportive Services (IHSS) workers under the PASC-Services Employee International Union (PASC-SEIU) Homecare Workers Health Care Plan (IHSS Health Plan), and for increased reimbursement for services provided to IHSS workers.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve a premium increase to the PASC-SEIU Homecare Workers Health Care Plan to fund increased costs associated with the provision of the health care benefits to eligible IHSS workers, as requested of DPSS by PASC, upon approval by the California Departments of Social Services and Health Care Services;

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

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*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

2. Approve a \$0.17 increase to the Public Authority (PA) hourly rate (health benefits component) to pay for the PASC-SEIU Homecare Workers Health Care Plan premium increase, as requested of DPSS by PASC, upon approval by the California Departments of Social Services and Health Care Services;
3. Delegate authority to the Director of DHS, or his designee, to negotiate and execute an amendment to the existing provider agreements with L.A. Care (DHS Contract Nos. H-704703-3 and H-704704-3) to increase rates payable to DHS to reflect the increase in IHSS enrollee health care benefits provider reimbursement;
4. Delegate authority to the Director of DPSS, or her designee, to execute an amendment to Agreement No. 72426 between the County and PASC to effect the increased rates; and
5. Delegate authority to the Director of DPSS, or her designee, to execute an amendment to its fiscal intermediary agreement with L.A. Care to increase the capitation payments made on PASC's behalf, consistent with the agreement between the PASC and L.A. Care for the IHSS Health Plan.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On June 13, 2006, the Board approved Amendment No. 2 to DHS Agreement No. H-213335 with the PASC to increase the rates paid to DHS' Community Health Plan (CHP) to provide or arrange for the provision of health care services to eligible IHSS workers under the IHSS Health Plan.

The rates for the IHSS Health Plan have not been increased since July 1, 2006, while the costs for providing health care services have continued to rise over the last six years. To address the increasing costs of providing care under the IHSS Health Plan, PASC requested DPSS to request approval from the State for an increase in the capitation rates for the IHSS Health Plan.

Once approved, these increases will be paid to L.A. Care who will in turn increase the capitation rates paid to DHS and other providers for the services provided to IHSS workers.

#### **Implementation of Strategic Plan Goals**

The recommended actions support Goal 2, Fiscal Sustainability, of the County's Strategic Plan.

#### **FISCAL IMPACT/FINANCING**

The total cost of the current IHSS Health Plan is budgeted by DPSS at \$134.8 million for Fiscal Year (FY) 2012-13, funded by \$66.5 million in Federal revenue, \$44.4 million in State revenue, and \$23.9 million in net County cost, which is provided to DPSS by DHS.

DHS is targeting an effective date of November 1, 2012 for the proposed rate increase. This will require expedited processing by the California Departments of Social Services and Health Care Services. The proposed rate is based on an actuarial report prepared for L.A. Care by Milliman, Inc. that studied the projected costs of providing health care services to a demographic group

comparable to IHSS workers.

The estimated cost of IHSS enrollee health care benefits is the aggregate of: 1) Federal share, 2) State share, and 3) the Net County Cost matching share, as shown in the table below. The Community First Choice Option (CFCO) program is pending approval at this time. If approved, the Federal Medical Assistance Percentage (FMAP) will increase from 50% to 56% which will reduce the State and County matching amounts, retroactive to December 1, 2011.

The increase in the health plan premium rate will result in a net revenue increase to the County of approximately \$14.7 million; if the FMAP increases to 56%, the net revenue increase to the County would be approximately \$17.8 million.

The FY 2012-13 State Budget Trailer Bill Senate Bill 1036 establishes a County maintenance of effort (MOE) requirement for the IHSS program effective July 1, 2012, based on actual County expenditures incurred during Fiscal Year 2011-12. In consideration of the new MOE requirement and other factors, DHS has determined that the rate increase being requested at this time is appropriate, and will allow L.A. Care to adjust reimbursement rates to DHS facilities and participating contracted providers to address the rising costs of health care.

The proposed PA hourly rate increase amount of \$0.17 will increase the current health benefit rate from \$0.75 to \$0.92 per hour. The new rate is based on projections of IHSS caseload and health plan enrollment for FY 2012-13. The State was scheduled to cap their participation at \$9.50 in wages and \$0.60 in benefits effective July 1, 2009. However, a temporary court injunction, put in place effective July 2009, enjoins the State from reducing their level of sharing.

Attachment A includes two charts: one reflects the FY 2012-13 impact of the proposed rate increase under the 50% FMAP; and the second reflects the proposed rate increase under the 56% FMAP. Both charts also reflect the impact which would occur if the court injunction were to be lifted, retroactive to July 1, 2012, and the State were able to impose the \$0.60/hour cap on State participation in IHSS provider health benefits.

The revised rates paid to L.A. Care and to DHS will be kept confidential in accordance with Section 14087.39 of the California Welfare and Institutions Code and/or Section 1457 of the California Health and Safety Code and, once approved, will be shared with each Board Office, the Chief Executive Office, and County Counsel.

If the recommendations are approved by the Board, DHS and DPSS may request the Board's approval of budget adjustments for FY 2012-13 at a later date, if necessary to adjust for fluctuations in IHSS caseload and health plan enrollment.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

On January 8, 2002, the Board approved the development of a health benefits program for eligible IHSS workers in Los Angeles County through expansion of the CHP. The IHSS Health Plan program was subsequently approved by the State Department of Managed Health Care. Prior to the Board action, PASC established an agreement with the SEIU, the bargaining unit representing IHSS workers, to provide health care benefits to its employees who were authorized to work a minimum of 112 hours each month for two consecutive months.

On September 16, 2003, the Board approved lowering the eligibility threshold to 80 hours per month for two consecutive months, resulting in a substantial increase of IHSS workers enrolled in the

program.

On March 29, 2011, the Board approved a reduction in authorized hours of service from 80 hours per month for two consecutive months to 77 hours per month for two consecutive months for IHSS workers to receive health care benefits, effective April 1, 2011. Additionally, the Board approved a recommendation to transition all CHP lines of business, including the IHSS Health Plan, to L.A. Care for administrative functions over the next year.

On November 8, 2011, the Board approved delegated authority to DHS and DPSS for various contractual actions necessary to transition the IHSS enrollees from CHP to L.A. Care.

On November 15, 2011, the Board approved delegated authority to the DHS Director to execute the CHP transition agreement with L.A. Care, and also approved delegated authority to execute an agreement transferring all lines of CHP's business, including the IHSS Health Plan, to L.A. Care.

On February 1, 2012, the IHSS Health Plan membership was transitioned from CHP to L.A. Care. There are approximately 40,000 IHSS workers currently enrolled in the IHSS Health Plan who are receiving health care services, primarily at DHS facilities.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Board approval of the recommended actions will ensure that appropriate reimbursement is received by DHS facilities for services provided to IHSS workers.

Respectfully submitted,



Mitchell H. Katz, M.D.

Director



SHERYL L. SPILLER

Director

MHK:SLS:db

Enclosures

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors  
Personal Assistance Services Council

**Projected Impact – FMAP at Current 50% And Rate Increase**

(\$ in Millions)

<b>IHSS HEALTH PLAN FUNDING SOURCE</b>	<b>FY 2012-13 IHSS HEALTH PLAN FUNDING (50% FMAP)</b>	<b>HEALTH PLAN PREMIUM INCREASE (effective 11/01/12)</b>	<b>REVISED FY 2012-13 IHSS HEALTH PLAN FUNDING WITH COURT INJUNCTION</b>	<b>CHANGE IN STATE &amp; COUNTY SHARES IF COURT INJUNCTION IS LIFTED (assumes retro to 7/01/12)</b>	<b>REVISED FY 2012-13 IHSS HEALTH PLAN FUNDING WITHOUT COURT INJUNCTION</b>
<b>FEDERAL</b>	\$ 66.5	\$ 8.8	\$ 75.3	\$ 0.0	\$ 75.3
<b>STATE</b>	44.4	5.9	50.3	( 15.7)	34.6
<b>COUNTY</b>	23.9	3.1	27.0	15.7	42.7
<b>TOTAL</b>	\$ 134.8	\$ 17.8	\$ 152.6	\$ 0.0	\$ 152.6

**Projected Impact – Change in FMAP to 56% And Rate Increase**

(\$ in Millions)

<b>IHSS HEALTH PLAN FUNDING SOURCE</b>	<b>FY 2012-13 IHSS HEALTH PLAN FUNDING (50% FMAP)</b>	<b>CHANGE IN FMAP FROM 50% TO 56% IF COMMUNITY FIRST CHOICE OPTION PROGRAM IS APPROVED (effective 7/01/12)</b>	<b>HEALTH PLAN PREMIUM INCREASE (EFF. 11/01/12)</b>	<b>REVISED FY 2012-13 IHSS HEALTH PLAN FUNDING WITH COURT INJUNCTION</b>	<b>CHANGE IN STATE &amp; COUNTY SHARES IF COURT INJUNCTION IS LIFTED (assumes retro to 7/01/12)</b>	<b>REVISED FY 2012-13 IHSS HEALTH PLAN FUNDING WITHOUT COURT INJUNCTION</b>
<b>FEDERAL</b>	\$ 66.5	\$ 8.0	\$ 9.8	\$ 84.3	\$ 0.0	\$ 84.3
<b>STATE</b>	44.4	(5.2)	5.2	44.4	( 13.8)	30.6
<b>COUNTY</b>	23.9	(2.8)	2.8	23.9	13.8	37.7
<b>TOTAL</b>	\$ 134.8	\$ 0.0	\$ 17.8	\$ 152.6	\$ 0.0	\$ 152.6